



FINANCIAL MARKETS MONTHLY REPORT

SEPTEMBER 2022

Glossary

Abbreviation	Definition	Abbreviation	Definition
bn	Billion	OTC	Over-the-Counter
bps	Basis Points	ppts	Percentage Points
CBN	Central Bank of Nigeria	QoQ	Quarter-on-Quarter
CP	Commercial Paper	Repo	Repurchase Agreement
DMO	Debt Management Office	T.bills	Treasury Bills
FCY	Foreign Currency	trn	Trillion
FGN	Federal Government of Nigeria	US	The United States of America
FIC	Fixed Income and Currencies	USD	US Dollar
FX	Foreign Exchange	Y	Year
H1	First Half of the Year Under Consideration	YoY	Year-on-Year
I&E FX Window or I&E	Investors' and Exporters' Foreign Exchange Window	YTD	Year-to-Date
LCY	Local Currency		
M	Month		
mm	Million		
MM	Money Market		
MoM	Month-on-Month		
N/A	Not Applicable		
NBS	National Bureau of Statistics		
NV	Notional Value		
OMO	Open Market Operations		
O/N	Overnight		
OPR	Open Repos		

Sources:

FMDO Securities Exchange Limited, DMO, CBN, NBS

Note:

Minor discrepancies between sums of constituent figures and totals shown reflect rounding.

Primary Market

Sovereign Securities

The DMO sold T.bills valued at ₦553.66bn across its auctions in September 2022, representing a 24.10% (₦107.51bn) MoM increase on the value of T-bills sold across its auctions in August 2022 (₦446.15bn).

Similarly, the DMO sold two (2) 10Y and one (1) 20Y FGN Bonds worth ₦261.50bn via re-openings in September 2022 (exceeding the total amount of FGN Bonds offered¹ by ₦36.50bn). Likewise, this represents a 30.37% (₦60.92bn) MoM increase relative to the amount sold in August 2022 (₦200.58bn) for the same FGN Bond maturities.

In September 2022, the CBN sold OMO Bills worth ₦25.60bn exceeding the amount offered by 28.00% (₦5.60bn), representing the first issuance since June 2022.

Treasury Bills Discount Rates in Sep. 2022

91-day – 5.83%
3.75% (Aug. '22) ▲

182-day – 6.45%
4.75% (Aug. '22) ▲

364-day – 10.58%
7.98% (Aug. '22) ▲

FGN Bond Coupon Rates in Sep. 2022

10Y – 13.67%
13.00% (Aug. '22) ▲

20Y – 14.50%
14.00% (Aug. '22) ▲

Chart 1: Trend in Average T.bills Discount Rate (%)

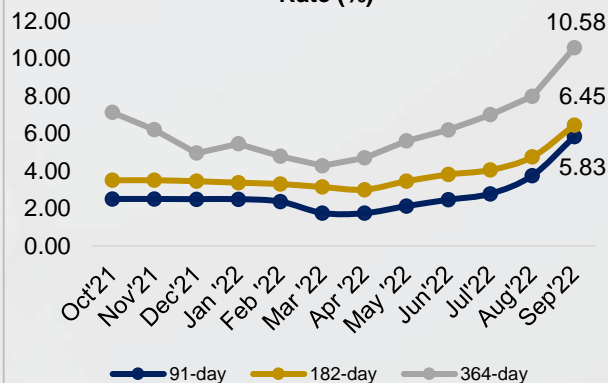


Chart 2: Trend in Average OMO Bills Discount Rate (%)

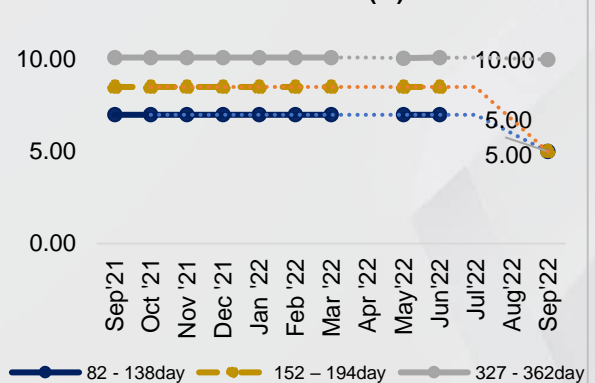


Table 1: Value of New Issuances (₦'bn)

Product	Oct. '21	Nov. '21	Dec. '21	Jan. '22	Feb. '22	Mar. '22	Apr. '22	May '22	Jun '22	Jul '22	Aug '22	Sep '22
T.bills	422.28	2,294.90	112.36	281.30	472.97	583.33	289.09	311.35	544.87	407.55	446.15	553.66
OMO Bills	99.00	80.00	130.00	130.00	270.00	170.00	0.00	180.01	40.00	0.00	0.00	25.60
FGN Bonds	192.76	225.25	99.99	170.64	415.42	297.01	348.58	378.41	226.12	123.84	200.58	261.50

Table 2: Value of Outstanding Securities (₦'bn)

Product	Oct. '21	Nov. '21	Dec. '21	Jan. '22	Feb. '22	Mar. '22	Apr. '22	May '22	Jun '22	Jul '22	Aug'22	Sep'22
T.Bills	3,643.79	3,570.40	3,570.40	3,860.48	4,120.15	4,408.16	4,435.02	4,465.85	4,504.79	4,504.80	4,504.80	4,542.78
OMO Bills	2,051.79	1,863.69	1,863.69	1,460.69	940.95	758.95	850.00	770.00	810.00	740.00	605.00	600.00
FGN Bonds	12,530.96	12,755.68	12,855.56	12,420.33	12,835.77	13,135.32	13,483.27	13,863.55	14,089.34	14,214.12	14,414.32	14,419.34

Notes:

1 – Amount Offered in September 2022 was ₦225.00bn

Primary Market

Non-Sovereign Securities

There were no corporate bonds listed on FMDQ Exchange in September 2022 compared to ₦27.28bn worth of corporate bonds listed in August 2022. As a result, the total outstanding value for corporate bonds decreased MoM by 0.91% (₦10.78bn) to ₦1,169.81bn.

Total value of CPs quoted on FMDQ Exchange in September 2022 was ₦22.40bn, representing a MoM decrease of 22.91% (₦6.66bn) from the value of CPs quoted in August 2022. Quoted CPs were issued by institutions from various sectors including Financial Services (2), Agriculture (4), Real Estate (1) and Manufacturing (2).

In September 2022, CPs with a total value of ₦29.56bn matured and were redeemed resulting in a MoM decrease of CPs outstanding by 1.45% (₦7.16bn) to ₦487.73bn.

(See Table 4)

Average Discount Rates for Quoted CPs

Tenor	Sep. 22	Aug. 22	Trend
<90 days	-	-	N/A
91 – 180 days	-	15.61%	N/A
181 – 270 days	16.43%	14.41%	▲

Average Coupon Rates for Listed Corporate Bonds

Tenor	Sep. 22	Aug. 22	Trend
<=5 years	-	14.00%	N/A
>5 – 10 years	-	-	N/A
>10 – 20 years	-	13.25%	N/A
>20 years	-	-	N/A

Chart 3: Average Discount Rate for Quoted CPs (%) vs Tenor (No. of Days)

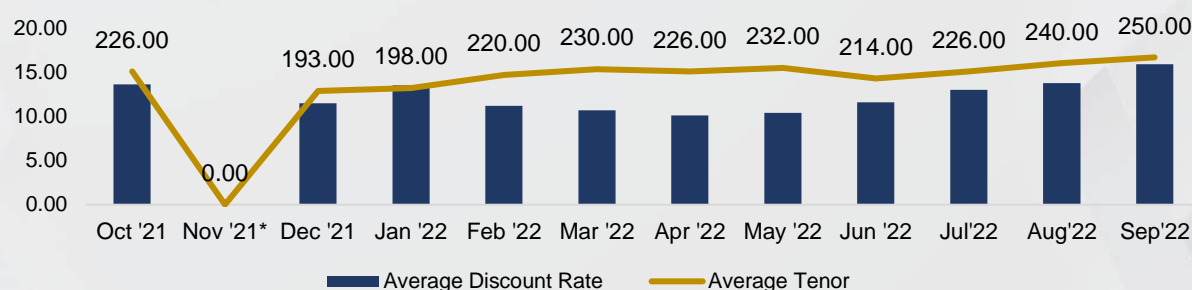


Table 3: Value of New Listings/Quotations (₦'bn)

Product	Oct. '21	Nov. '21	Dec. '21	Jan. '22	Feb. '22	Mar. '22	Apr. '22	May '22	Jun '22	Jul '22	Aug '22	Sep '22
Corporate Bonds	110.00	3.00	1.25	0.00	92.50	45.30	0.00	10.00	38.00	116.00	27.28	0.00
CPs	9.83	0.00	48.54	5.52	97.82	72.06	120.95	166.48	40.85	21.16	29.05	22.40

Table 4: Outstanding Value of Admitted Corporate Bonds and CPs (₦'bn)

Product	Oct. '21	Nov. '21	Dec. '21	Jan. '22	Feb. '22	Mar. '22	Apr. '22	May '22	Jun '22	Jul '22	Aug '22	Sep '22
Corporate Bonds	939.86	906.17	904.29	901.25	993.57	1,026.15	1,024.69	1,004.60	1,039.70	1,153.50	1,180.59	1,169.81
CPs	293.31	253.81	224.22	168.99	232.89	283.75	311.07	484.61	518.80	524.58	494.89	487.73

Notes:

1 – Average Tenors for the Period; * No CP was quoted in the respective months

Secondary Market

Market Turnover by Products

Secondary market turnover on FMDQ Exchange in September 2022 was ₦19.86trn, representing a MoM increase of 27.87% (4.33trn) and a YoY decrease of 17.35% (₦4.17trn) from August 2022 and September 2021 figures respectively.

Foreign Exchange (FX), Money Market (MM) and CBN Bills¹ transactions dominated secondary market activity in September 2022, accounting for 84.99% of the total secondary market turnover. (See Chart 5)

Chart 4: FMDQ Markets Turnover (₦trn)

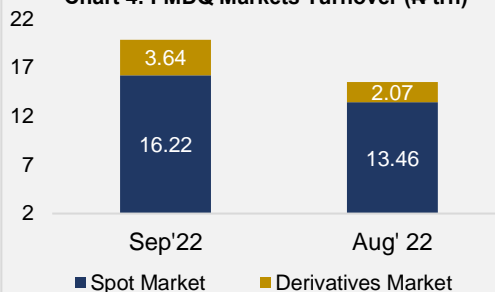


Chart 5: Contribution to FMDQ Markets Turnover

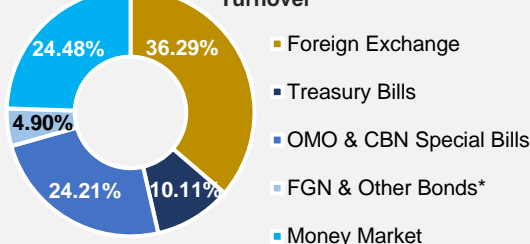
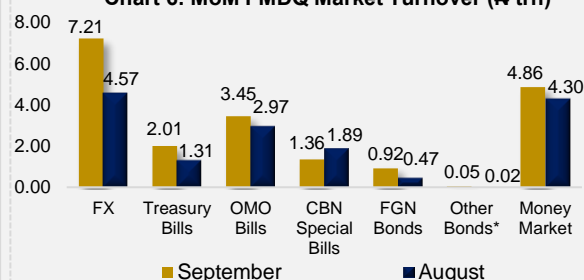


Chart 6: MoM FMDQ Market Turnover (₦trn)



Spot Market

Total spot market turnover for all products traded in the secondary market was ₦16.22trn in September 2022, representing a MoM increase of 20.50% (₦2.76trn) from August 2022 figures.

The MoM increase in total spot market turnover was driven by an uptick in turnover across all products, especially FX turnover which increased MoM by 42.62% (₦1.07trn), likewise Fixed Income and Money Market turnover in September 2022 increased by 16.94% (₦1.13trn) and 13.15% (₦0.57trn), respectively.

The increase in MM turnover was solely driven by an Increase in Repos/Buy-Backs, offsetting the slump in Unsecured Placements/Takings. Similarly, the uptick in Fixed Income turnover was jointly driven by MoM increases in all Fixed Income products with the exception of CBN Special Bills

Chart 7: Spot Market Turnover and Percentage Contribution

FX Market

₦3.56trn

₦2.50trn (Aug. '22)

21.97%

Fixed Income Market

₦7.79trn

₦6.66trn (Aug. '22)

48.04%

Money Market

₦4.86trn

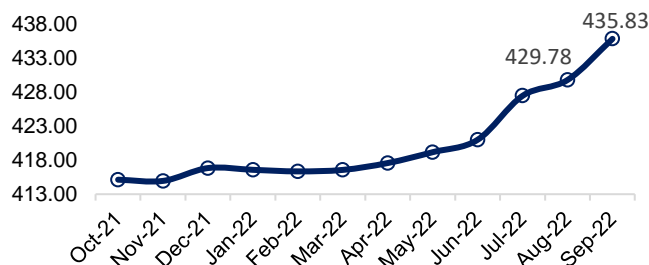
₦4.30trn (Aug. '22)

29.98%

Spot FX Market

Spot FX market turnover was ₦3.56trn (\$8.19bn) in September 2022, representing a MoM increase of 42.62% (₦1.07trn) from the turnover recorded in August 2022 (₦2.50trn).

Chart 8: Average Rates in the I&E FX Window (\$/₦)



In the Spot FX Market, the Naira depreciated against the US Dollar, with the exchange rate (\$/₦) increasing by 1.41% (\$/₦6.05) to close at an average of \$/₦435.83 in September 2022 from \$/₦429.78 recorded in August 2022 (See Chart 8)

Further, exchange rate volatility increased in September 2022 compared to August 2022 as the Naira traded within an exchange rate range of \$/₦430.00 - \$/₦437.03 in September 2022 compared to \$/₦428.13 - \$/₦431.00 recorded in August 2022.

Notes:

1 – Refers to Open Market Operations (“OMO”) and CBN Special Bills

*Other Bonds include Agency, Sub-national, Corporate, Supranational Bonds & Promissory Notes

Spot Fixed Income Market

FI market turnover was ₦7.79trn in September 2022, representing a MoM increase of 16.94% (₦1.13trn) from the turnover recorded in August 2022 (₦6.66trn). The MoM increase in the FI market turnover was driven by the increase in T.bills, OMO Bills as well as FGN Bonds & Other Bonds turnover which offset the MoM marginal decrease of 28.12% (₦0.53trn) in CBN Special Bills turnover. (See Chart 9)

As a result, the trading intensity (TI) for T.bills, OMO Bills and FGN Bonds increased MoM by 0.15, 1.28 and 0.03 points to 0.45, 5.65 and 0.06, respectively. (See Chart 10)

Chart 9: Fixed Income Market Turnover (₦'trn)

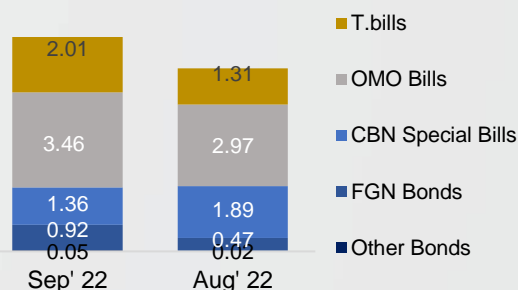


Chart 10: Trend in Trading Intensity

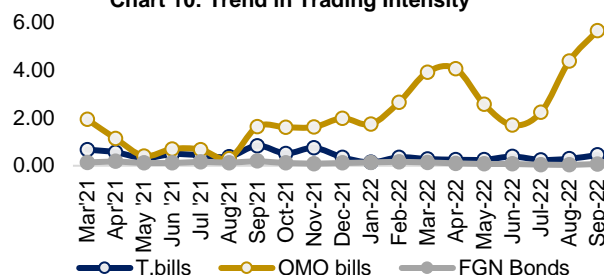
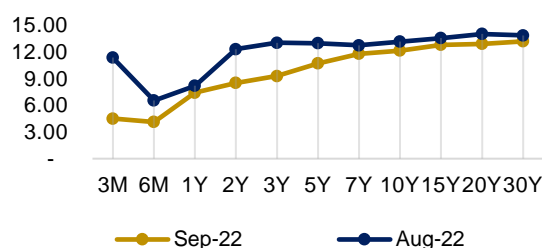


Chart 11: Sovereign Yield Curve (%)



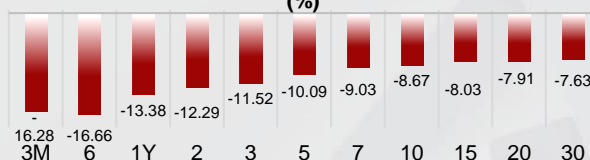
T.bills and FGN Bonds within the >6M – 12M and >10Y – 15Y tenors respectively were the most traded sovereign FI securities, accounting for 55.29% (₦1.62trn) and 8.19% (₦0.24trn) of the sovereign FI turnover in the spot market, respectively. (See table below)

T.bills			FGN Bonds						
Up to 3M	>3M - 6M	>6M - 12M	>12M - 3Y	>3Y - 5Y	>5Y - 10Y	>10Y - 15Y	>15Y - 20Y	>20Y	Total
0.19	0.20	1.62	0.20	0.08	0.17	0.24	0.13	0.10	2.93

In September 2022, the yield spread between the 3M and 30Y sovereign FI securities increased by 6.17ppts to 8.65ppts, indicating a steepening of the sovereign yield curve (See Chart 11).

Real (inflation-adjusted) yields remained negative across the yield curve in Sept. 2022 (See Chart 12).

Chart 12: Inflation Adjusted Yields as at Sep. 30, 2022[^] (%)



Spot Market – (Money Market)

Total turnover in the MM segment increased MoM by 13.15% (₦0.57trn) to ₦4.86trn in September 2022. The MoM increase was solely driven by the 14.80% (₦0.62trn) rise in Repos/Buy-backs turnover despite the 49.04% (₦0.05trn) decrease in unsecured Placement/Takings turnover in the month of September 2022 (See Chart 13).

The average O/N rate and OPR rate (secured lending rate) decreased MoM by 1.40ppts and 1.45ppts respectively, to close at an average of 12.36% and 11.89% in September 2022 (See Chart 14).

Chart 13: Money Market Turnover (₦'trn)

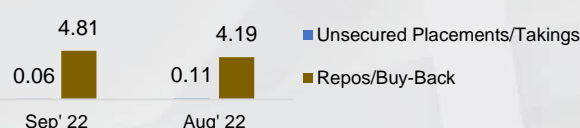
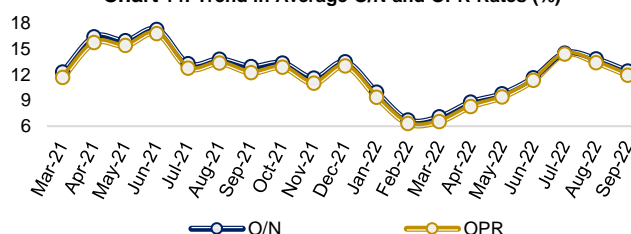


Chart 14: Trend in Average O/N and OPR Rates (%)



Notes:

[^]Adjusted with September 2022 inflation rate

Derivatives Market

Derivatives Market – (FX Market)

Total turnover in the FX derivatives market segment was ₦3.64trn (\$8.37bn) in September 2022, representing a MoM increase of 75.75% (₦1.57trn) from August 2022 figures.

The MoM increase in the FX derivatives turnover in September 2022 was driven jointly by the 37.53% (₦0.28trn), 84.83% (₦0.80trn) and 126.61% (₦0.49trn) uptick across FX Forwards, FX Swaps and FX Futures turnover, respectively.

FX Swaps
₦1.75trn (\$4.03bn) ▶ **48.08%**

FX Forwards
₦1.02trn (\$2.33bn) ▶ **28.02%**

FX Futures
₦0.87trn (\$2.01bn) ▶ **23.90%**

Naira-settled OTC FX Futures Market

In the OTC FX Futures market, the near month contract¹ (NGUS SEP 28, 2022) expired and open positions with a total notional value (NV) of \$0.65bn were settled. A far month (60M) contract, NGUS SEP 29, 2027 was introduced at a Futures rate of \$/₦659.31, representing an increase of 1.08% (\$/₦7.02) in the Futures price relative to the Futures price (\$/₦652.29) of the previous far month contract (NGUS AUG 25, 2027).

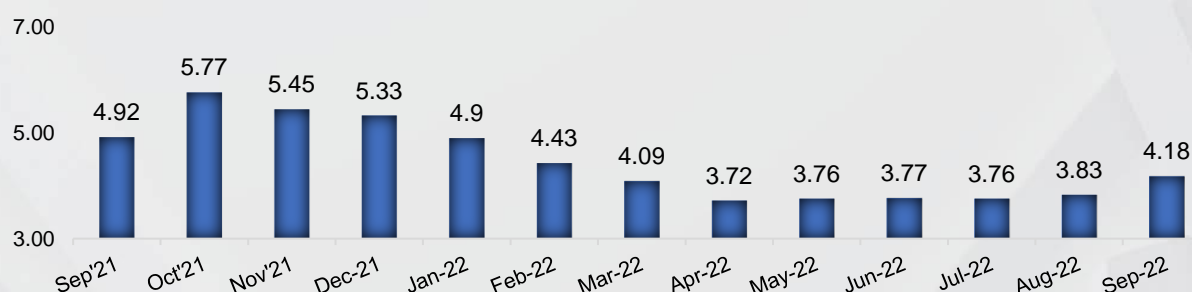
The total NV of open OTC FX Futures contracts as at September 30, 2022, stood at circa \$4.18bn² representing a MoM increase of 9.14% (\$0.35bn) and a YoY decrease of 15.04% (\$0.74bn) from its value as at August 31, 2022 and September 30, 2021, respectively.

Matured Contract
 NGUS SEP 28, 2022
 (\$/₦439.60)

New 60M Contract
 NGUS SEP 29, 2027
 (\$/₦659.31) ▼

NV of Open Positions
 in OTC FX Futures
 Contracts –\$4.18bn ▲

Chart 15: Trend in Open OTC FX Futures Contract Values (\$'bn)



The total NV of OTC FX Futures contracts traded in September 2022 was \$1.00bn, representing a MoM increase of 79.55% (\$0.44bn) relative to the turnover reported for August 2022 (\$0.56bn). In September 2022, OTC FX Futures market activity was concentrated within the 13 – 18M tenor range, which accounted for 65.59% (\$0.65bn) of the total turnover and thirty (30) of the sixty-two (62) deals conducted during the period under review.

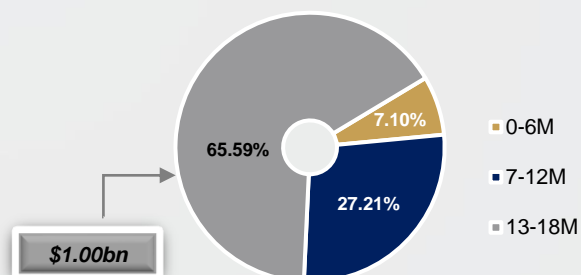
The NV of OTC FX Futures contracts traded across short-dated (0 – 12M) contracts decreased by 36.80% (\$0.20bn) to \$0.34bn while the NV of OTC FX Futures contracts traded across the long-dated (13 – 60M) contracts increased by 4571.08% (\$0.64bn) to \$0.65bn.

Notes:

1 – This refers to the OTC FX Futures Contract that is closest to its maturity date at any given time; 2 – The 8M contract, NGUS MAY 31, 2023, had the highest NV of open OTC FX Futures Contracts (\$0.73bn) as at September 30, 2022

Derivatives Market../2

Chart 16: Analysis of Traded OTC FX Futures Contracts by Tenor Ranges



Average price of OTC FX Futures contracts and Deliverable Forwards in September 2022 increased MoM across all tenor buckets relative to August 2022. The average price of OTC FX Futures contracts within the 0 - 6M tenor range recorded the highest increase in price (*i.e., expected depreciation of Nigerian Naira against the US Dollar*) in September 2022. (See Table 5)

Conversely, the highest MoM increase in the price of Deliverable Forwards in September 2022 was recorded on the farthest tenored contract (*i.e., 12M contract*). (See Table 6)

Table 5: Average OTC FX Futures Contract Rates (\$/₦)

	0-6M	7-12M	13-18M	19-24M	25-30M	31-36M	37-42M	43-48M	49-54M	55-60M
Sep-22	454.05	464.52	481.23	502.73	524.80	547.37	571.09	595.65	621.46	648.18
Aug-22	445.12	458.36	476.12	497.37	519.21	541.53	565.01	589.30	614.84	641.28
Change	8.93 ↓	6.16 ↓	5.12 ↓	5.36 ↓	5.59 ↓	5.84 ↓	6.08 ↓	6.34 ↓	6.62 ↓	6.90 ↓

Table 6: Indicative Deliverable Forward Rates (\$/₦)

	1M	2M	3M	6M	12M
Sep-22	446.77	448.03	453.14	467.92	495.21
Aug-22	434.01	436.90	439.91	451.89	476.03
Change	12.76 ↓	11.13 ↓	13.23 ↓	16.03 ↓	19.18 ↓

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